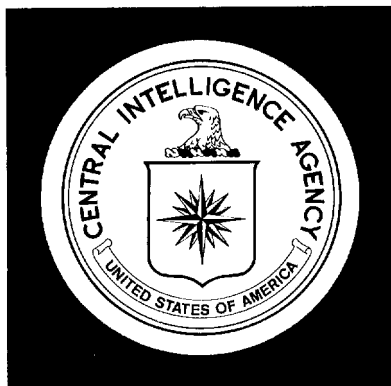


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State Department review completed

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JAPAN: The strong downward pressure on the yen failed to ease yesterday when the central bank sold more than \$100 million to maintain the spot rate at 280 yen to the dollar. This brought total sales for the week to about \$500 million. Buyers of dollars for delivery in March paid an 8-percent premium over the spot rate as the yen remained weak on the forward market.

Heavy pressure on the yen will continue in January, when exports generally experience a seasonal low, and a sizable trade deficit is likely. Unless the government is willing to draw down further on official exchange reserves, the yen probably will be allowed to depreciate against the dollar.

AFGHANISTAN: The Kabul government continues to believe itself under attack from both foreign and domestic enemies.

In a conversation with the US ambassador on December 26, Deputy Foreign Minister Wahid Abdullah claimed [redacted] that a terrorist group, which just completed training in Pakistan with Iranian assistance, plans to cross the Afghan border and attempt to assassinate Daoud and other top government officials. Ambassador Eliot notes that the report apparently is being taken seriously by the Afghan leaders. The accusations against Pakistan, and more indirectly against Iran, reveal the depth of suspicion and hostility that has developed in recent months between Kabul and Islamabad.

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Abdullah also stated that Communists had occupied a number of key positions in the government immediately following the coup of last July that installed President Daoud in power. Abdullah insisted, however, that Daoud knows where these Communists are and is keeping close watch over their activities.

Communist infiltration of the government following the coup has long been rumored in Kabul, but Abdullah is the first top government official to acknowledge it. Daoud, who established a reputation as a friend of the Soviet Union during his previous period in power (1953-63), is generally believed to be an Afghan nationalist highly suspicious of domestic Communists or any other group with foreign ties.

Abdullah confirmed recent reports that a plot against the government had been uncovered. He denied that high-ranking political or military figures were involved, although he admitted that one general may have been among those arrested.

The Afghan Government's continuing uneasiness over actual or potential opposition has the effect

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of forcing it to concentrate on security problems at the expense of other urgent programs. It may also reflect divisions at the highest levels between President Daoud and some of the younger military officers who were instrumental in bringing him to power last summer.

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FOR THE RECORD\*

South Vietnam: COSVN has directed Communist units to keep military action to a minimum during the Tet holidays in late January, [REDACTED]

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[REDACTED] In contrast to Tet 1973 when Communist troops were ordered to seize more territory, they reportedly have been told not to fight during the 1974 holidays unless Saigon's forces encroach on Communist-held territory. [REDACTED]

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[REDACTED] COSVN has ordered its units to take advantage of the holiday spirit to contact their opponents and "dispel hostility."

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Peru: The long-planned nationalization of the US-owned Cerro de Pasco Corporation reportedly will be carried out on January 1. Details on how the company is to be compensated are as yet not available, but bilateral discussions on this and other issues involving US investments have been under way for some time. [REDACTED]

*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

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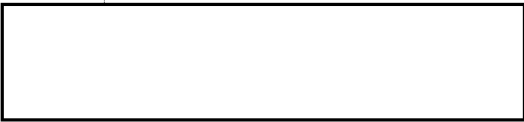
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